

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Schoolcraft County, Michigan	County Schoolcraft
Fiscal Year End 9/30/06	Opinion Date 2/07/07	Date Audit Report Submitted to State 3/31/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-789-0635		
Street Address 901 Ludington Street		City Escanaba	State MI	Zip 49829
Authorizing CPA Signature <i>Kevin C. Pascoe</i>		Printed Name Kevin C. Pascoe, CPA		License Number 1101026882

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2006**

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report .....</b>	<b>1</b>
<b>Management's Discussion and Analysis .....</b>	<b>3</b>
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	18
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities .....	20
Statement of Net Assets - Proprietary Funds .....	21
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds .....	23
Statement of Cash Flows - Proprietary Funds .....	25
Statement of Fiduciary Net Assets .....	27
Notes to the Basic Financial Statements .....	28
<b>Required Supplemental Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund .....	58
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - 911 Telephone .....	60
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Maintenance of Effort - Medical Care Facility.....	61
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Medical Care Facility Improvement Fund.....	62

## TABLE OF CONTENTS

	<u>Page</u>
<b>Other Supplemental Information:</b>	
Combining Balance Sheet - Nonmajor Governmental Funds .....	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	70
Combining Statement of Net Assets - Nonmajor Proprietary Funds .....	77
Combining Statement of Revenues, Expenses and Changes in Net Assets - Nonmajor Proprietary Funds .....	79
Combining Statement of Cash Flows - Nonmajor Proprietary Funds .....	81
Combining Statement of Net Assets - Internal Service Funds .....	83
Combining Statement of Revenues, Expenses and Changes in Net Assets - Internal Service Funds .....	85
Combining Statement of Cash Flows - Internal Service Funds .....	87
Combining Statement of Fiduciary Net Assets - Agency Funds .....	89
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....</b>	<b>91</b>
<b>Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....</b>	<b>93</b>
<b>Schedule of Expenditures of Federal Awards .....</b>	<b>95</b>
<b>Notes to Schedule of Expenditures of Federal Awards .....</b>	<b>97</b>
<b>Schedule of Findings and Questioned Costs .....</b>	<b>98</b>
<b>Schedule of Prior Year Findings and Questioned Costs .....</b>	<b>100</b>



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners  
County of Schoolcraft  
Manistique, Michigan 49854

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Schoolcraft, Michigan as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Schoolcraft's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Schoolcraft Memorial Hospital, which represent 37% of the assets, 28% of net assets, and 62% of revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Schoolcraft Memorial Hospital, is based on the reports of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Schoolcraft, Michigan as of September 30, 2006, and the

respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reported dated February 7, 2007, on our consideration of the County of Schoolcraft, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 - 11 and 58 - 62, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Schoolcraft's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County of Schoolcraft, Michigan. Such information has been subject to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

February 7, 2007

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Schoolcraft County's financial performance provides an overview of the County's financial activities for the year ended September 30, 2006. Please read it in conjunction with the County's financial statements, which begin on page 12.

### **FINANCIAL HIGHLIGHTS**

- Net assets for the County were reported at \$5,036,088 for 2006 and were \$4,336,036 for 2005, an increase of \$700,052. For 2006, net assets for our business-type activities were \$3,756,309 or 75% of total net assets, while net assets in our governmental activities were \$1,279,779 or 25% of total net assets.
- The County's expenses for 2006 totaled \$5,060,472, while revenues from all sources totaled \$5,760,524, resulting in an increase of \$700,052. In 2005, total expenses totaled \$5,163,876, while revenues totaled \$4,025,453, resulting in a decrease of \$1,138,423.
- In the County's business type activities, total revenues were \$1,136,277, or 20% of total revenue, while expenses totaled \$785,808, or 16% of total expenses. This provides excess revenue over expenses of \$350,469.
- The General fund reported a decrease in fund balance of \$41,265 in 2006 and a decrease of \$43,272 in 2005, representing a decrease in fund balance of 22% and a decrease of 19%, respectively. This was after revenues of \$3,483,207 compared to \$3,437,773 in 2005, and expenditures of \$3,524,472 compared to expenditures of \$3,481,045 in 2005.

### **USING THIS REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 12-13 and 14) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Reporting the County as a whole

#### Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the County's finances; "Is the County as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements reports the County's net assets and changes in them. You can think of the County's net assets- the difference between assets and liabilities- as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities - Most of the County's basic services are reported here including public safety, judicial system, health and welfare, parks and recreation and general administration. Property taxes and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities - The County charges a fee to customers to help it cover all or most of the costs of certain services it provides. The County Airport, Public Transit and the collection of delinquent property taxes primarily make up these activities.

The County also presents five legally separate component units; Economic Development Corporation, Schoolcraft Memorial Hospital, County Road Commission, Medical Care Facility and the Housing Commission which are reported separately from the financial information of the County. A separate financial statement is available for the component units at their administrative offices.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Reporting the County's Most Significant Funds

#### Fund Financial Statements

Our analysis of the County's Major Funds begin on page 8. The fund financial statements begin on page 15 and provide detailed information on the most significant funds - not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The County's two kinds of funds - *governmental and proprietary* - use different accounting methods.

- *Governmental funds* - Most of the County's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County's program. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other County programs and activities.

#### The County as a Trustee

The County is the trustee, or *fiduciary*, of tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 27. We exclude these funds from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### The County as a Whole

The County's net combined assets declined by \$700,052.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Assets:				
Current and other assets	\$ 2,568,315	\$ 2,429,962	\$ 2,222,445	\$ 2,240,730
Capital assets (net)	1,506,856	1,548,900	1,583,387	1,278,383
Total Assets	<u>\$ 4,075,171</u>	<u>\$ 3,978,862</u>	<u>\$ 3,805,832</u>	<u>\$ 3,519,113</u>
Liabilities:				
Long-term debt outstanding	2,597,253	2,628,783	-	-
Other liabilities	198,139	419,883	49,523	113,273
Total Liabilities	<u>\$ 2,795,392</u>	<u>\$ 3,048,666</u>	<u>\$ 49,523</u>	<u>\$ 113,273</u>
Net Assets:				
Invested in capital assets, net of related debt	444,918	373,962	1,583,387	1,278,383
Restricted assets:				
Expendable	1,111,482	1,241,399	1,596	1,596
Unrestricted	(276,621)	(685,165)	2,171,326	2,125,861
Total Net Assets	<u>\$ 1,279,779</u>	<u>\$ 930,196</u>	<u>\$ 3,756,309</u>	<u>\$ 3,405,840</u>

Net assets of the County's governmental activities stood at \$1,279,779 up from \$930,196 in 2005 (+38%). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$(276,621) and \$(685,165) for 2006 and 2005 respectively.

Net assets in our business-type activities stood at \$3,756,309, up from \$3,405,840 in 2005 (+10.3%). Unrestricted net assets for our business-type activities were \$2,171,326 and \$2,125,861 for 2006 and 2005 respectively. A large portion of net assets in our business-type activities is the result of the federal government funding a large portion of capital improvements at the county airport.

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Revenues:				
Program Revenues:				
Charges for services	\$ 995,080	\$ 459,557	\$ 220,012	\$ 246,160
Operating grants	962,687	934,298	285,048	252,439
Capital grants	28,464	91,325	382,938	454,880
General Revenues:				
Property taxes	2,668,092	2,509,596	130,131	123,430
Unrestricted investment earnings	91,014	37,528	44,143	30,474
Miscellaneous	801	521,902	45,510	44,036
Total Revenues	<u>\$ 4,746,138</u>	<u>\$ 4,554,206</u>	<u>\$ 1,107,782</u>	<u>\$ 1,151,419</u>
Program Expenses:				
Legislative	\$ 90,123	\$ 88,451	\$ -	\$ -
Judicial system	1,063,151	1,050,501	-	-
General government	1,081,871	1,210,159	-	-
Public safety	997,932	1,045,374	-	-
Health and welfare	738,224	652,621	-	-
Recreation and culture	22,428	3,294	-	-
Other	185,140	265,751	-	-
Interest on long-term debt	95,795	119,107	-	-
Delinquent tax revolving	-	-	36,729	19,627
Jail commissary	-	-	9,057	10,182
Building inspection	-	-	61,772	62,381
Building maintenance	-	-	2,651	4,836
Airport	-	-	99,289	83,225
Public transit	-	-	576,310	548,367
Total Expenses	<u>\$ 4,274,664</u>	<u>\$ 4,435,258</u>	<u>\$ 785,808</u>	<u>\$ 728,618</u>
Excess (deficiency) before transfers and contributions	471,474	118,948	321,974	422,801
Transfers	<u>(121,891)</u>	<u>(1,635,764)</u>	<u>28,495</u>	<u>(44,408)</u>
Increase (decrease) in net assets	349,583	(1,516,816)	350,469	378,393
Net assets - beginning	<u>930,196</u>	<u>2,447,012</u>	<u>3,405,840</u>	<u>3,027,447</u>
Net assets - ending	<u><u>\$ 1,279,779</u></u>	<u><u>\$ 930,196</u></u>	<u><u>\$ 3,756,309</u></u>	<u><u>\$ 3,405,840</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Governmental Activities

Revenues for the County's governmental activities totaled \$4,746,138, up 4.2% from \$4,554,206 in 2005, while expenses were \$4,274,664, down 3.6% from \$4,746,138. The net assets increased by \$349,583 in 2006, whereas net assets decreased by \$1,516,816 in 2005.

Table three below reflects the cost of each of the County's five largest activities; General government, judicial system, public safety, health & welfare and other, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Government Activities**

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
General government	\$ 1,081,871	\$ 1,210,159	\$ 308,982	\$ 495,915
Judicial system	1,063,151	1,050,501	524,428	943,145
Public safety	997,932	1,045,374	754,179	754,072
Health and welfare	738,224	652,621	444,204	448,194
Other	185,140	265,751	61,810	97,900
Totals	<u>\$ 4,066,318</u>	<u>\$ 4,224,406</u>	<u>\$ 2,093,603</u>	<u>\$ 2,739,226</u>

### Business-Type Activities

The County's business-type activities net assets totaled \$3,756,309, with an increase in the current year of \$350,469, compared with \$3,405,840 in 2005. A majority of the increase was due to capital contributions received through state and federal funding for the Airport and Public Transit in the amounts of \$172,953 and \$209,985, respectively.

## THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

For the current fiscal year the County's governmental funds reported total fund balance of \$2,365,465 which was all unreserved. The General Fund unreserved fund balance amounted to \$142,587, with \$95,631 designated (see Note – E). The General Fund had a decrease in fund balance of \$41,265, representing a decrease of 22% over the prior year fund balance. The Revenue Sharing Reserve Fund had a fund balance of \$516,110, the 911 Telephone Fund had an unreserved fund balance of \$449,666, and the Medical Care Facility Improvement Fund had an unreserved fund balance of \$492,911.

In fiscal year 2006, in accordance with Public Act 357 of 2004, the County established the Revenue Sharing Reserve Fund which is to be used to replace the State revenue sharing payments for the next several years. The Act calls for the County to put one-third of the December 2004 levy into this new fund, and put the same amount in the Revenue Sharing Reserve Fund from the December 2005 and 2006 levy's. In 2006, the County placed \$431,614 in property taxes from the December 2005 levy into the Revenue Sharing Reserve Fund and also transferred \$162,170 to the General Fund for operating purposes. In order to make up the shortfall in the General Fund for property tax revenue, the Act allowed the County to levy one-third of their property tax levy in July and that amount has been recognized as revenue in the General Fund for 2006.

### **General Fund Budgetary Highlights**

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$168,273, representing an increase of 5.3%. The budgeted expenditures for the final amended budget increased by \$170,972 over the original budget, representing an increase of 6.2%. The original budget projected no change in net assets, while the actual results showed a decrease to fund balance of \$41,265. The majority of the decrease was due to actual state source revenue being less than expected during 2006.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2006, the County had \$3,090,243, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below).

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

**Table 4**  
**Capital Assets at Year-End**  
**(Net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Land	\$ 73,822	\$ 73,822	\$ 48,890	\$ 48,890
Land improvements	-	-	808,384	844,490
Buildings and improvements	1,354,531	1,380,021	426,355	241,862
Machinery and equipment	51,112	60,051	48,506	51,466
Vehicles	27,391	35,006	251,252	91,675
Totals	<u>\$ 1,506,856</u>	<u>\$ 1,548,900</u>	<u>\$ 1,583,387</u>	<u>\$ 1,278,383</u>

**DEBT**

At year-end the County had \$2,406,503 in bonds and notes outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Building Authority Bonds:				
FIA Expansion	\$ 761,938	\$ 794,938	\$ -	\$ -
Courthouse Renovation	300,000	380,000	-	-
2004 Medical Care Facility	1,325,000	1,430,000	-	-
Notes Payable:				
Northern Lights Revolving Loan	19,565	23,845	-	-
Totals	<u>\$ 2,406,503</u>	<u>\$ 2,628,783</u>	<u>\$ -</u>	<u>\$ -</u>

The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$2,406,503 is well below statutory limits. There were no outstanding debts for business-type activities at year-end of 2006 and 2005.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of these factors is the uncertainty of State revenue sharing cuts as well as other changes in State government which will affect the way programs and services are provided and funded. The economy in the Schoolcraft County area appears to be flat in relation to job growth or job loss. The cost of living in the Schoolcraft County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2007 budget.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Schoolcraft County Courthouse, 300 Walnut Street, Room #169, Manistique, Michigan 49854.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**STATEMENT OF NET ASSETS**

September 30, 2006

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Restricted	\$ 282,903	\$ 31,135	\$ 314,038
Unrestricted	1,837,558	1,362,269	3,199,827
Investments	-	197,782	197,782
Receivables:			
Accounts	27,619	18,226	45,845
State of Michigan	121,695	37,858	159,553
Current/delinquent taxes	238,729	-	238,729
Interest	13,122	42	13,164
Due from other governmental units	18,300	-	18,300
Internal balances	-	125,267	125,267
Prepays	28,389	6,178	34,567
Unamortized discount on bonds	-	-	-
Inventory	-	-	-
Total current assets	<u>2,568,315</u>	<u>1,778,757</u>	<u>4,347,072</u>
Noncurrent assets:			
Investments/assets limited to use	-	99,688	99,688
Delinquent taxes	-	312,152	312,152
Accrued interest on delinquent taxes	-	31,848	31,848
Capital assets, net of accumulated depreciation	1,506,856	1,583,387	3,090,243
Other assets	-	-	-
Total noncurrent assets	<u>1,506,856</u>	<u>2,027,075</u>	<u>3,533,931</u>
Total assets	<u>\$ 4,075,171</u>	<u>\$ 3,805,832</u>	<u>\$ 7,881,003</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 39,491	\$ 8,832	\$ 48,323
Accrued payroll	87,626	14,664	102,290
Accrued interest	20,320	-	20,320
Due to other governmental units	21,410	-	21,410
Other liabilities	21,615	25,964	47,579
Internal balances	7,677	63	7,740
Long-term liabilities due within one year:			
Compensated absences	47,688	-	47,688
Bonds/loans payable	229,366	-	229,366
Total current liabilities	<u>475,193</u>	<u>49,523</u>	<u>524,716</u>
Long-term liabilities:			
Compensated absences	143,062	-	143,062
Bonds/loans payable	2,177,137	-	2,177,137
Total long-term liabilities	<u>2,320,199</u>	<u>-</u>	<u>2,320,199</u>
Total liabilities	<u>2,795,392</u>	<u>49,523</u>	<u>2,844,915</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	444,918	1,583,387	2,028,305
Restricted	-	1,596	1,596
Restricted for expendable:			
Special revenue	884,573	-	884,573
Debt service	226,909	-	226,909
Unrestricted	(276,621)	2,171,326	1,894,705
Total net assets	<u>1,279,779</u>	<u>3,756,309</u>	<u>5,036,088</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,075,171</u>	<u>\$ 3,805,832</u>	<u>\$ 7,881,003</u>

See accompanying notes to financial statements



Component Units				
Road Commission	Housing Commission	Economic Development Corporation	Schoolcraft Memorial Hospital	Medical Care Facility
\$ -	\$ -	\$ 81,819	\$ -	\$ -
958,734	94,015	47,970	788,139	1,179,485
-	-	-	-	-
35,376	15,950	-	2,410,251	540,662
337,763	-	-	-	-
-	-	-	-	-
-	-	-	-	-
514,435	-	-	-	-
-	-	-	-	-
30,689	12,645	-	274,662	51,198
25,200	-	-	-	-
250,123	-	-	306,537	-
<u>2,152,320</u>	<u>122,610</u>	<u>129,789</u>	<u>3,779,589</u>	<u>1,771,345</u>
-	93,882	-	1,226,879	248,559
-	-	-	-	-
-	-	-	-	-
7,772,332	1,467,022	1,006	5,179,436	3,814,484
-	-	-	45,793	-
<u>7,772,332</u>	<u>1,560,904</u>	<u>1,006</u>	<u>6,452,108</u>	<u>4,063,043</u>
<u>\$ 9,924,652</u>	<u>\$ 1,683,514</u>	<u>\$ 130,795</u>	<u>\$ 10,231,697</u>	<u>\$ 5,834,388</u>
\$ 19,811	\$ 7,049	\$ -	\$ 385,953	\$ 116,593
88,794	34,235	-	-	93,037
-	-	-	-	-
-	-	-	200,000	48,000
600,044	14,921	51,211	1,248,092	5,259
-	-	-	-	-
66,639	-	-	-	226,088
158,798	-	-	663,800	-
<u>934,086</u>	<u>56,205</u>	<u>51,211</u>	<u>2,497,845</u>	<u>488,977</u>
199,916	-	-	-	-
1,851,474	-	-	2,276,156	-
<u>2,051,390</u>	<u>-</u>	<u>-</u>	<u>2,276,156</u>	<u>-</u>
<u>2,985,476</u>	<u>56,205</u>	<u>51,211</u>	<u>4,774,001</u>	<u>488,977</u>
5,762,060	1,467,022	1,006	-	3,814,484
1,177,116	-	-	27,773	-
-	-	-	-	-
-	-	-	-	-
-	160,287	78,578	5,429,923	1,530,927
<u>6,939,176</u>	<u>1,627,309</u>	<u>79,584</u>	<u>5,457,696</u>	<u>5,345,411</u>
<u>\$ 9,924,652</u>	<u>\$ 1,683,514</u>	<u>\$ 130,795</u>	<u>\$ 10,231,697</u>	<u>\$ 5,834,388</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2006**

Functions/Programs	Program Revenue					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units	Primary Government		
						Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>								
Governmental activities:								
Legislative	\$ 90,123	\$ -	\$ -	\$ -	-	\$ (90,123)	\$ -	\$ (90,123)
Judicial system	1,063,151	239,514	299,209	-	-	(524,428)	-	(524,428)
General government	1,081,871	679,498	93,391	-	-	(308,982)	-	(308,982)
Public safety	997,932	18,984	196,305	28,464	-	(754,179)	-	(754,179)
Health and welfare	738,224	19,229	274,791	-	-	(444,204)	-	(444,204)
Recreation and culture	22,428	13,516	-	-	-	(8,912)	-	(8,912)
Other	245,140	24,339	98,991	-	-	(121,810)	-	(121,810)
Interest on long-term debt	95,795	-	-	-	-	(95,795)	-	(95,795)
Total governmental activities	4,334,664	995,080	962,687	28,464	-	(2,348,433)	-	(2,348,433)
<b>Business-type activities:</b>								
Delinquent tax revolving/tax collections	36,729	81,312	74,371	-	-	-	118,954	118,954
Jail commissary	9,057	6,976	12	-	-	-	(2,069)	(2,069)
Building inspection	61,772	19,960	4,429	-	-	-	(37,383)	(37,383)
Building maintenance	2,651	-	-	-	-	-	(2,651)	(2,651)
Airport	99,289	1,045	-	172,953	-	-	74,709	74,709
Public transit	576,310	110,719	266,236	209,985	-	-	10,630	10,630
Total business-type activities	785,808	220,012	345,048	382,938	-	-	162,190	162,190
Total primary government	5,120,472	1,215,092	1,307,735	411,402	-	(2,348,433)	162,190	(2,186,243)
<b>Component units:</b>								
Road Commission	3,521,522	1,033,354	2,875,167	-	-	-	-	386,999
Housing Commission	512,314	161,329	201,073	122,370	-	-	-	(27,542)
Economic Development Corporation	218,908	-	46,991	133,353	-	-	-	(38,564)
Schoolcraft Memorial Hospital	19,111,243	19,482,633	-	-	-	-	-	371,390
Medical Care Facility	6,646,692	6,144,439	898,078	-	-	-	-	395,825
Total component units	\$ 30,010,679	\$ 26,821,755	\$ 4,021,309	\$ 255,723	-	-	-	1,088,108
<b>General revenues:</b>								
Property taxes, levied for general purposes						203,391	130,131	333,522
Property taxes, levied for debt service						2,464,701	-	2,464,701
Unrestricted investment earnings						91,014	44,143	135,157
Gain on sale of fixed assets						801	42,041	42,842
Miscellaneous						-	-	-
Unrealized loss on investments						-	3,469	3,469
Transfers						(61,891)	(31,505)	(93,396)
Total general revenues and transfers						2,698,016	188,279	2,886,295
Change in net assets						349,583	350,469	700,052
Net assets, beginning						930,196	3,405,840	4,336,036
Net assets, ending						\$ 1,279,779	\$ 3,756,309	\$ 5,036,088

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2006**

	General Fund	Revenue Sharing Reserve	911 Telephone	Medical Care Facility Improvement
<b>ASSETS</b>				
Cash and equivalents:				
Restricted	\$ 95,631	\$ -	\$ 144,178	\$ -
Unrestricted	(1,455)	325,559	279,324	491,822
Receivables:				
State of Michigan	33,895	-	23,444	-
Delinquent property taxes	238,729	-	-	-
Accounts	23,547	-	3,143	-
Accrued interest	8,914	1,839	-	1,089
Due from other governmental units	18,300	-	-	-
Due from other funds	12,844	188,712	-	-
Prepaid expense	24,533	-	-	-
Total assets	<u>\$ 454,938</u>	<u>\$ 516,110</u>	<u>\$ 450,089</u>	<u>\$ 492,911</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 21,692	\$ -	\$ -	\$ -
Due to other funds	188,712	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll and related liabilities	80,332	-	423	-
Deferred revenue	21,615	-	-	-
Total liabilities	<u>312,351</u>	<u>-</u>	<u>423</u>	<u>-</u>
<b>FUND BALANCES</b>				
Reserved for:				
Prepaid items	24,533	-	-	-
Unreserved:				
Designated	95,631	-	144,178	-
Undesignated	22,423	516,110	305,488	492,911
Unreserved, reported as non-major:				
Special revenue funds	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total fund balances	<u>142,587</u>	<u>516,110</u>	<u>449,666</u>	<u>492,911</u>
Total liabilities and fund balances	<u>\$ 454,938</u>	<u>\$ 516,110</u>	<u>\$ 450,089</u>	<u>\$ 492,911</u>

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 31,750	\$ 271,559
727,836	1,823,086
64,356	121,695
-	238,729
922	27,612
1,280	13,122
-	18,300
-	201,556
3,166	27,699
<u>\$ 829,310</u>	<u>\$ 2,743,358</u>
\$ 16,425	\$ 38,117
20,413	209,125
21,410	21,410
6,871	87,626
-	21,615
<u>65,119</u>	<u>377,893</u>
3,166	27,699
-	239,809
-	1,336,932
474,400	474,400
242,167	242,167
44,458	44,458
<u>764,191</u>	<u>2,365,465</u>
<u>\$ 829,310</u>	<u>\$ 2,743,358</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
September 30, 2006

Total fund balances for governmental funds \$ 2,365,465

Total net assets reported for governmental activities in the statement of net assets  
is different because:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds. Those assets consist of:

Land and land improvements	73,822	
Buildings and improvements	3,279,877	
Equipment	40,651	
Vehicles	13,700	
Accumulated depreciation	<u>(1,937,863)</u>	
Total capital assets		1,470,187

The County uses internal service funds for the purpose of internally  
financing various County projects and for activities related to the Service  
Center. The assets and liabilities of these internal service funds are included  
in the governmental activities in the statement of net assets. 61,700

Long-term liabilities applicable to the County's governmental activities are not  
due and payable in the current period and accordingly are not reported as  
fund liabilities. Interest on long-term debt is not accrued in governmental  
funds, but rather is recognized as an expenditure when due. All liabilities,  
both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	(20,320)	
Bonds/loans payable	(2,406,503)	
Compensated absences	<u>(190,750)</u>	<u>(2,617,573)</u>

Total net assets of governmental activities \$ 1,279,779

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2006**

	General Fund	Revenue Sharing Reserve	911 Telephone	Medical Care Facility Improvement
<b>REVENUES:</b>				
Taxes	\$ 1,903,935	\$ 431,614	\$ -	\$ -
Licenses and permits	9,221	-	-	-
Federal sources	126,829	-	-	-
State sources	164,073	-	91,960	-
Local sources	-	-	40,154	-
Charges for services	366,697	-	-	-
Interest and rentals	85,570	5,443	-	9,326
Other	557,038	-	-	-
Total revenues	3,213,363	437,057	132,114	9,326
<b>EXPENDITURES:</b>				
Legislative	87,892	-	-	-
Judicial system	879,685	-	-	-
General government	1,049,651	-	-	-
Public safety	799,234	-	90,518	-
Health and welfare	151,949	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	4,280	-	-	-
Interest	438	-	-	-
Other	150,910	-	-	-
Total expenditures	3,124,039	-	90,518	-
Excess revenues (expenditures)	89,324	437,057	41,596	9,326
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of fixed assets	801	-	-	-
Transfer in	269,043	-	-	24,000
Transfer out	(400,433)	(162,170)	-	(59,860)
Total other financing sources (uses)	(130,589)	(162,170)	-	(35,860)
Net change in fund balance	(41,265)	274,887	41,596	(26,534)
Fund balances - beginning of year	183,852	241,223	408,070	519,445
Fund balances - end of year	\$ 142,587	\$ 516,110	\$ 449,666	\$ 492,911

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 332,543	\$ 2,668,092
-	9,221
173,893	300,722
341,870	597,903
2,231	42,385
21,138	387,835
35,128	135,467
46,673	603,711
<u>953,476</u>	<u>4,745,336</u>
-	87,892
149,128	1,028,813
-	1,049,651
105,241	994,993
547,891	699,840
22,428	22,428
4,003	4,003
218,000	222,280
102,440	102,878
154,230	305,140
<u>1,303,361</u>	<u>4,517,918</u>
<u>(349,885)</u>	<u>227,418</u>
-	801
267,529	560,572
-	(622,463)
<u>267,529</u>	<u>(61,090)</u>
(82,356)	166,328
<u>846,547</u>	<u>2,199,137</u>
<u>\$ 764,191</u>	<u>\$ 2,365,465</u>

See accompanying notes to financial statements

**SCHOOLCRAFT COUNTY, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2006**

Net changes in fund balances - total governmental funds	\$ 166,328
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$96,360) exceeded capital outlays \$68,730.	(27,630)
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Internal service funds are used by management to account for activities related to services provided between funds of the County. The net revenue (expense) of the internal service funds is reported with governmental activities.	(17,968)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	222,280
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(509)	
Accrued interest on bonds	7,082	6,573
Changes in net assets of governmental activities	\$ 349,583	

See accompanying notes to financial statements



**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
September 30, 2006

	Airport	Public Transit	Tax Revolving 2001	Tax Revolving 2004
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 6,596	\$ -	\$ -	\$ -
Unrestricted	-	153,127	237,250	466,203
Investments	-	-	197,782	-
Receivables:				
State of Michigan	-	37,858	-	-
Accounts	1,045	16,769	27	-
Accrued interest	-	42	-	-
Due from other funds	-	-	331	45,651
Prepaid expenses	-	5,317	-	-
Total current assets	<u>7,641</u>	<u>213,113</u>	<u>435,390</u>	<u>511,854</u>
Noncurrent assets:				
Investments	-	-	99,688	-
Delinquent taxes	-	-	-	33,429
Accrued interest on delinquent taxes	-	-	12	11,108
Capital assets, net of accumulated depreciation	<u>1,026,725</u>	<u>556,662</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,026,725</u>	<u>556,662</u>	<u>99,700</u>	<u>44,537</u>
Total assets	<u><u>\$ 1,034,366</u></u>	<u><u>\$ 769,775</u></u>	<u><u>\$ 535,090</u></u>	<u><u>\$ 556,391</u></u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,560	\$ 6,508	\$ -	\$ 21
Accrued payroll	-	12,870	-	-
Other liabilities	-	25,964	-	-
Due to other funds	<u>63</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,623</u>	<u>45,342</u>	<u>-</u>	<u>21</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,026,725	556,662	-	-
Restricted	1,596	-	-	-
Unrestricted	<u>4,422</u>	<u>167,771</u>	<u>535,090</u>	<u>556,370</u>
Total net assets	<u>1,032,743</u>	<u>724,433</u>	<u>535,090</u>	<u>556,370</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,034,366</u></u>	<u><u>\$ 769,775</u></u>	<u><u>\$ 535,090</u></u>	<u><u>\$ 556,391</u></u>

See accompanying notes to financial statements

Tax Revolving 2005	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ 24,539	\$ 31,135	\$ 11,344
230,630	275,059	1,362,269	14,472
-	-	197,782	-
-	-	37,858	-
28	357	18,226	7
-	-	42	-
47,856	31,429	125,267	-
-	861	,6,178	690
<u>278,514</u>	<u>332,245</u>	<u>1,778,757</u>	<u>26,513</u>
-	-	99,688	-
276,664	2,059	312,152	-
20,290	438	31,848	-
-	-	1,583,387	36,669
<u>296,954</u>	<u>2,497</u>	<u>2,027,075</u>	<u>36,669</u>
<u>\$ 575,468</u>	<u>\$ 334,742</u>	<u>\$ 3,805,832</u>	<u>\$ 63,182</u>
\$ -	\$ 743	\$ 8,832	\$ 1,374
-	1,794	14,664	-
-	-	25,964	-
-	-	63	108
<u>-</u>	<u>2,537</u>	<u>49,523</u>	<u>\$ 1,482</u>
-	-	1,583,387	36,669
-	-	1,596	-
<u>575,468</u>	<u>332,205</u>	<u>2,171,326</u>	<u>25,031</u>
<u>575,468</u>	<u>332,205</u>	<u>3,756,309</u>	<u>61,700</u>
<u>\$ 575,468</u>	<u>\$ 334,742</u>	<u>\$ 3,805,832</u>	<u>\$ 63,182</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2006**

	Airport	Public Transit	Tax Revolving 2001	Tax Revolving 2004
<b>OPERATING REVENUES:</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Charges for services	-	110,719	-	-
Interest and rentals	-	-	149	22,427
Other	1,045	-	2,840	8,936
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenue	1,045	110,719	2,989	31,363
	<hr/>	<hr/>	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>				
Salaries and fringes	-	398,052	-	-
Administrative fees	-	-	1,236	3,727
Contracted services	30,179	22,025	-	1,926
Repairs and maintenance	4,808	82,549	-	-
Depreciation	55,811	61,748	-	-
Other	8,491	11,936	6	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	99,289	576,310	1,242	5,653
	<hr/>	<hr/>	<hr/>	<hr/>
Operating income (loss)	(98,244)	(465,591)	1,747	25,710
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Millage and taxes	-	130,131	-	-
Unrealized gain on investments	-	-	3,469	-
Gain on sale of fixed assets	-	42,041	-	-
Interest income	-	1,541	19,011	18,191
	<hr/>	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	-	173,713	22,480	18,191
	<hr/>	<hr/>	<hr/>	<hr/>
Income (loss) before transfers and contributions	(98,244)	(291,878)	24,227	43,901
	<hr/>	<hr/>	<hr/>	<hr/>
Capital/grant contributions	172,953	476,221	-	-
Transfer in	56,368	-	-	-
Transfer out	-	-	(20,320)	(30,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	131,077	184,343	3,907	13,901
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets - beginning	901,666	540,090	531,183	542,469
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets - ending	<u>\$ 1,032,743</u>	<u>\$ 724,433</u>	<u>\$ 535,090</u>	<u>\$ 556,370</u>

See accompanying notes to financial statements

Tax Revolving 2005	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ 4,429	\$ 4,429	\$ -
-	65,979	176,698	6,398
32,006	19,801	74,383	-
14,435	16,058	43,314	28,949
<u>46,441</u>	<u>106,267</u>	<u>298,824</u>	<u>\$ 35,347</u>
-	58,253	456,305	-
-	-	4,963	86,437
-	16,983	71,113	-
-	-	87,357	-
-	-	117,559	14,414
2,055	26,023	48,511	-
<u>2,055</u>	<u>101,259</u>	<u>785,808</u>	<u>100,851</u>
<u>44,386</u>	<u>5,008</u>	<u>(486,984)</u>	<u>\$ (65,504)</u>
-	-	130,131	-
-	-	3,469	-
-	-	42,041	-
5,400	-	44,143	-
<u>5,400</u>	<u>-</u>	<u>219,784</u>	<u>-</u>
49,786	5,008	(267,200)	(65,504)
-	-	649,174	-
525,000	19,000	600,368	47,536
-	(581,553)	(631,873)	-
<u>574,786</u>	<u>(557,545)</u>	<u>350,469</u>	<u>(17,968)</u>
<u>682</u>	<u>889,750</u>	<u>3,405,840</u>	<u>79,668</u>
<u>\$ 575,468</u>	<u>\$ 332,205</u>	<u>\$ 3,756,309</u>	<u>\$ 61,700</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2006

	Airport	Public Transit	Tax Revolving 2001	Tax Revolving 2004	Tax Revolving 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ -	\$ 105,698	\$ -	\$ -	\$ -
Receipts from interest and rents	-	-	190	29,964	11,716
Cash received for collection of taxes	-	-	239	227,416	423,843
Cash receipts from interfund services provided	-	-	2,509	-	-
Payments to suppliers	(42,451)	(183,447)	-	-	-
Payments for wages and related benefits	-	(395,012)	-	-	-
Cash payments for taxes	-	-	-	-	(700,507)
Other receipts (payments)	-	-	(1,266)	(5,972)	(35,504)
Net cash provided (used) by operating activities	(42,451)	(472,761)	1,672	251,408	(300,452)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Grants received	-	351,265	-	-	-
Tax levy received	-	130,131	-	-	-
Operating transfer in	56,368	-	-	-	525,000
Operating transfer out	-	-	(20,320)	(30,000)	-
Net cash provided (used) by noncapital financing activities	56,368	481,396	(20,320)	(30,000)	525,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Sale (purchase) of fixed assets	(181,871)	(198,652)	-	-	-
Capital contributions	172,953	209,985	-	-	-
Net cash provided (used) by capital and related financing activities	(8,918)	11,333	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Sale of investments	-	-	100,000	-	-
Interest earnings	-	1,673	19,011	18,191	5,400
Net cash provided (used) by investing activities	-	1,673	119,011	18,191	5,400
Net increase (decrease) in cash and equivalents	4,999	21,641	100,363	239,599	229,948
Cash and equivalents, beginning of year	1,597	131,486	136,887	226,604	682
Cash and equivalents, end of year	\$ 6,596	\$ 153,127	\$ 237,250	\$ 466,203	\$ 230,630
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (98,244)	\$ (465,591)	\$ 1,747	\$ 25,710	\$ 44,386
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	55,811	61,748	-	-	-
Changes in assets and liabilities:					
(Increase) decrease in receivables	(1,045)	(5,021)	280	234,953	(296,982)
(Increase) decrease in prepaid expenses	-	200	-	-	-
(Increase) decrease in due from other funds	-	-	(331)	(8,741)	(47,856)
Increase (decrease) in accounts payable	964	(67,137)	(24)	(514)	-
Increase (decrease) in accrued payroll	-	3,040	-	-	-
Increase (decrease) in due to other funds	63	-	-	-	-
Total adjustments	55,793	(7,170)	(75)	225,698	(344,838)
Net cash provided by operating activities	\$ (42,451)	\$ (472,761)	\$ 1,672	\$ 251,408	\$ (300,452)

See accompanying notes to financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 66,095	\$ 171,793	\$ -
35,625	77,495	-
48,604	700,102	-
-	2,509	35,533
(16,365)	(242,263)	(84,077)
(58,251)	(453,263)	-
-	(700,507)	-
(20,885)	(63,627)	-
<u>\$ 54,823</u>	<u>\$ (507,761)</u>	<u>\$ (48,544)</u>

-	351,265	-
-	130,131	-
19,000	600,368	47,536
(581,553)	(631,873)	-

(562,553)	449,891	47,536
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-	(380,523)	-
-	382,938	-

-	2,415	-
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-	100,000.00	-
-	44,275	-

-	144,275	-
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(507,730)	(11,180)	(1,008)
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807,328	1,304,584	26,824
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<u>\$ 299,598</u>	<u>\$ 1,293,404</u>	<u>\$ 25,816</u>
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<u>\$ 5,008</u>	<u>\$ (486,984)</u>	<u>\$ (65,504)</u>
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-	117,559	14,414
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66,969	(846)	186
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19	219	2,634
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(15,747)	(72,675)	-
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(1,428)	(68,139)	(274)
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2	3,042	-
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-	63	-
---	----	---

49,815	(20,777)	16,960
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<u>\$ 54,823</u>	<u>\$ (507,761)</u>	<u>\$ (48,544)</u>
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See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**September 30, 2006**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents:	
Unrestricted	\$ 284,119
Receivables:	
Due from other governmental units	12,482
Other assets	<u>2,373</u>
Total assets	<u><u>\$ 298,974</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 2,826
Due to other funds	117,527
Due to other units governmental units	5,604
Undistributed taxes	3,447
Other liabilities	<u>169,570</u>
Total liabilities	<u><u>\$ 298,974</u></u>

See accompanying notes to financial statements

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background – The County of Schoolcraft was organized under the Michigan Constitution. The County is operated under a Commission form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human services, resource management and development, law enforcement, and health services.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB 39, Schoolcraft County (the primary government) includes all funds, account groups, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Schoolcraft County Building Authority – The Schoolcraft County Building Authority is governed by a board of six members, which have been appointed by the County's Board of Commissioners. For financial reporting purposes, the Building Authority is reported as the County Building Retirement fund and is included as part of the County's operations because its purpose is to finance the construction of the County Building

Schoolcraft County Public Transit – The Public Transit is governed by a six-member board, which is appointed by the County's Board of Commissioners and includes two County Commissioners. The Transit provides transportation services for the residents of Schoolcraft County. The Transit may not issue debt or levy taxes without the County's approval. The fiscal year for the Transit is October 1 through September 30.



**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Commission on Aging – The Commission on Aging is governed by a board, which has been appointed by the County's Board of Commissioners. The Commission on Aging provides services to the residents of Schoolcraft County and therefore is included as part of the primary government.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Schoolcraft County Medical Care Facility, Schoolcraft County Housing Commission, Schoolcraft County Road Commission, Schoolcraft Memorial Hospital, and the Economic Development Corporation (EDC). The component units are reported in a separate column to emphasize that they are legally separate from the County.

Schoolcraft County Medical Care Facility – The facility is governed by the Schoolcraft County Department of Human Services Board which consists of three members, two of whom are appointed by the Schoolcraft County Board of Commissioners and one appointed by the Michigan Governor. The Medical Care Facility may not issue debt or levy property taxes without the County's approval.

Schoolcraft County Medical Care Facility  
520 Main Street  
Manistique, Michigan 49854

Schoolcraft County Housing Commission – The Schoolcraft County Housing Commission was formed by the Schoolcraft County Board under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the County. The Housing Commission's most current audit report is included within the financial statements of Schoolcraft County with a fiscal year ending March 31, 2006. Additional financial information of the Housing Commission may be obtained directly from their administrative offices.

Schoolcraft County Housing Commission  
900 Steuben  
Manistique, Michigan 49854

Schoolcraft County Road Commission - The citizenry in a general, popular election elects the members of the governing board of the Road Commission. The Road Commission provides the citizens of Schoolcraft County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. Complete financial statements of the Road Commission can be obtained directly from their administrative office.

Schoolcraft County Road Commission  
P.O. Box 160  
Manistique, Michigan 49854

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Schoolcraft Memorial Hospital – The Schoolcraft Memorial Hospital was organized under Public Act 230 of the Public Acts of 1987 and is a county hospital corporation that operates a 25-bed acute care facility. The Hospital provides comprehensive inpatient, outpatient, emergency, medical, and home health services. The Hospital's most current audit report is included within the financial statements of Schoolcraft County with a fiscal year ending December 31, 2005. Additional financial information of the Hospital may be obtained directly from their administrative offices.

Schoolcraft Memorial Hospital  
500 Main Street  
Manistique, Michigan 49854

Schoolcraft County Economic Development Corporation (EDC) – The EDC was incorporated on March 12, 1982 by Schoolcraft County under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purpose of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Schoolcraft County. The EDC received an appropriation of \$10,000 from Schoolcraft County. Additional financial information of the corporation may be obtained directly from their administrative offices.

Schoolcraft County Economic Development Corporation  
321 Deer Street  
Manistique, Michigan 49854

Related Organization - The LMAS Health Department is a district health department covering the counties of Luce, Mackinac, Alger and Schoolcraft. The Board consists of eight members, with two members being appointed by each County. All financial operations of the Health Department are recorded in the books of Luce County. Each County makes an annual appropriation, which is given at the discretion of each County Board. Schoolcraft County's appropriation to the Health Department for the calendar year was \$10,000. There is no funding formula adopted by the member counties. A copy of the audit report may be acquired from the following:

LMAS District Health Department  
Hamilton Lake Road  
Newberry, Michigan 49868

Accounting Policies - The accounting policies of the County of Schoolcraft conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve Fund – Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue payments. This substitute funding mechanism involves the gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

911 Telephone Fund – The 911 Telephone Fund accounts for the activities of the 911 system for Schoolcraft County.

Medical Care Facility (MCF) Improvement Fund – The Medical Care Facility (MCF) Improvement Fund accounts for the activities attributable to the improvement of the Medical Care Facility.

The County reports the following as major proprietary funds:

Public Transit – The Transit fund accounts for the activities relating to the operation of the public bus transportation system.

Airport – The Airport fund accounts for the activities relating to the operation of a county airport, which is utilized by commercial and private air carriers.

Tax Revolving 2001, 2004, and 2005 – These funds account for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Internal service funds - These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental entities, on a cost reimbursement basis.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Transit and Airport enterprise funds are charges to customers for sales and services, and the principal operating revenues of the Tax Revolving 2001, Tax Revolving 2004, and Tax Revolving 2005 funds are interest and fees collected on delinquent property taxes. The County's internal service funds primarily recognize rental income as operating revenue related to renting space in county owned buildings to other governmental entities. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following October 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.
- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- e. The County of Schoolcraft adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

Resources (revenues)  
General appropriations and functional groups  
Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.
- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2006. All budget amendments are presented to the Finance Committee. In September, the Board of Commissioners approved all amendments to the annual budget.

Cash Equivalents - For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Investments – Investments are carried at market with all dividends being reinvested.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The County has not recorded an allowance for uncollectible accounts, as the County does not anticipate that amount to be material.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is accounted for under the consumption method for the reporting entity with the exception of the Schoolcraft County Road Commission, which is priced at cost as determined on the average unit cost method.

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes Receivable – The County of Schoolcraft property tax is levied on each December 1<sup>st</sup> and July 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the County of Schoolcraft as of the preceding December 31<sup>st</sup> and July 1<sup>st</sup>.

Although the County of Schoolcraft 2005 ad valorem tax is levied and collectible on December 1, 2005, and 2006 ad valorem is levied and collectible on July 1, 2006, it is the County of Schoolcraft's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	5 - 25
Buildings and improvements	5 - 50
Machinery and equipment	3 - 20
Vehicles	3 - 5
Infrastructure	8 - 50

Compensated Absences – Compensated absences (unpaid vacation and sick leave) for governmental fund and similar component unit employees are recorded as expenditures in the year paid. It is the County's policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for compensated absences for the governmental funds and similar component units are accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B – BUDGET NON-COMPLIANCE**

Budget Violations – Public Act 621 of 1978, as amended, requires the adoption of a balanced budget prior to the beginning of the fiscal year for the General Fund and Special Revenue Funds.

The Board of Commissioners did not adopt the 2006-2007 fiscal budget until after September 30, 2006, on October 12, 2006.

**NOTE C – DEFICIT FUND BALANCES**

At September 30, 2006, the Parks & Recreation Fund and Survey & Remonumentation Fund had deficit fund balances in the amount of \$12 and \$26,466, respectively. A deficit fund balance is a violation of Public Act 275.



**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE D – CASH & EQUIVALENTS AND INVESTMENTS**

The composition of cash and equivalents, and investments as reported in the Statement of Net Assets is presented below:

	<u>Primary Government</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 314,556	\$ 319,528
Uninsured	3,483,428	4,503,123
Total cash	<u>\$ 3,797,984</u>	<u>\$ 4,822,651</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Restricted	\$ 314,038	
Unrestricted	3,199,827	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	284,119	
Total cash and equivalents	<u>\$ 3,797,984</u>	
Investments:		
Risk categorized investments:		
Government bond and notes (2)	<u>\$ 297,470</u>	
Component Units:		
Cash and equivalents:		
Road Commission	\$ 958,734	
Housing Commission	94,015	
Economic Development Corporation	129,789	
Schoolcraft Memorial Hospital	788,139	
Medical Care Facility	1,179,485	
Total cash and equivalents	<u>\$ 3,150,162</u>	
Assets limited as to use:		
Schoolcraft Memorial Hospital	\$ 799,970	
Medical Care Facility	248,559	
Investments:		
Housing Commission	93882	
Schoolcraft Memorial Hospital	426,909	
Total assets limited as to use and investments	<u>\$ 1,569,320</u>	

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE D – CASH & EQUIVALENTS AND INVESTMENTS (continued)**

Michigan statutes authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, saving accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

*Interest Rate Risk.* The County carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

*Credit Risk.* State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. The investments held by the County at year end are not rated.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure the County's deposits may not be returned. At September 30, 2006, the County held \$4,822,651 in certificate of deposits, along with checking and saving accounts. Of this amount, \$4,503,123 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

*Concentration of Credit Risk.* The County has no significant concentration of credit risk due to the fact that its deposits are with area banks.

*Foreign Currency Risk.* The County has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the County are in accordance with statutory authority.

In accordance with GASB Statement No. 40, investments are classified into three categories of credit risk as follows:

Category 1: Insured or registered, or securities held by the County or its agents in Schoolcraft County's name.

Category 2: Uninsured and unregistered, with securities held by the counterparties or by its trust department or agent in Schoolcraft County's name.

Category 3: Uninsured and unregistered, with securities held by the counterparties or by its trust department or agent but not in Schoolcraft County's name.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE D – CASH & EQUIVALENTS AND INVESTMENTS (continued)**

Assets Limited as to Use:

Schoolcraft Memorial Hospital – The composition of assets limited to use at December 31, 2005 consists of cash and certificate of deposits stated at fair value. These assets have been designated by the Board for funded depreciation in the amount of \$626,666, risk management for \$145,428 and donor restricted for specific purposes for \$27,876, for total assets limited as to use in the amount of \$799,970.

Schoolcraft County Medical Care Facility – The composition of assets limited to use at September 30, 2006 consists of cash. These assets have been limited to use by the Schoolcraft County Department of Human Services Board for future capital purchases.

Investments:

Schoolcraft Memorial Hospital – Investments, which are stated at fair value as of December 31, 2005 consist of certificate of deposits in the amount of \$316,643 and common stock in the amount of \$110,266.

**NOTE E – RESTRICTED CASH**

GOVERNMENTAL ACTIVITIES:

Total restricted cash reported within the governmental activities are \$282,903 as of September 30, 2006.

- 1 – General Fund – in the amount of \$95,413 for accrued sick and vacation, and \$218 for the Prosecuting Attorney, for total restricted cash in the amount of \$95,631.
- 2 – Special Revenue Funds – have restricted cash in the amount of \$144,178 for the 911 Telephone Fund, \$164 for the Parks & Recreation Fund, \$1,977 for the Emergency Management Fund, \$1,105 for the Commission on Aging Fund, and \$46 for the Juvenile Justice Fund; for a total in the amount of \$147,470.
- 3 – Capital Projects Funds – have restricted cash in the Capital Improvement fund in the amount of \$6,512 for courthouse parking lot and the Capital Improvement – Public Safety fund in the amount of \$21,946 for repairs, jail renovation, and for the roof; for total restricted cash in the amount of \$28,458.
- 4 – Internal Service Funds – have restricted cash in the Computer Fund in the amount of \$4,458 for computer purchases, and the Motor Pool Police Vehicle Fund in the amount of \$6,886 for anticipated vehicle purchases; for total restricted cash in the amount of \$11,344.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE E – RESTRICTED CASH (continued)**

**BUSINESS-LIKE ACTIVITIES:**

Total restricted cash reported within the business-like activities are \$31,135 as of September 30, 2006.

- 1 – Enterprise Funds – have restricted cash in the Airport fund in the amount of \$6,596 for repairs, fuel tanks and runways, \$24,539 in the Foreclosure Fund, for total restricted cash in the amount of \$31,135.

**NOTE F – INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances at September 30, 2006 represent short-term borrowings between funds and are summarized as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
		Parks & Recreation	\$ 89
		Sheriff Road Patrol	7249
		Wrap Grant	275
		Juvenile Justice	800
		Airport Operations	63
		Computer	108
		General Trust & Agency	2000
		Payroll Trust & Agency	2260
General Fund	\$ 12,844		<u>12,844</u>
Revenue Sharing Reserve	<u>188,712</u>	General Fund	<u>188,712</u>
Foreclosure	12,680		
DTRF 2000	352		
DTRF 2001	331		
DTRF 2002	352		
DTRF 2003	6,045		
DTRF 2004	45,651		
DTRF 2005	<u>47,856</u>		
	113,267	General Trust & Agency	<u>113,267</u>
DTRF 2003	<u>12,000</u>	Snowmobile Enforcement Grant	<u>12,000</u>
Total	<u>\$ 326,823</u>	Total	<u>\$ 326,823</u>
Financial Statement Presentation:			
Governmental Funds	\$ 201,556	Governmental Funds	\$ 209,233
Enterprise Funds	<u>125,267</u>	Enterprise Funds	63
		Fiduciary Funds	<u>117,527</u>
Total	<u>\$ 326,823</u>		<u>\$ 326,823</u>

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2006**

### NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	Balance at 10/01/05	Additions	Disposals	Balance at 09/30/06
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 73,822	\$ -	\$ -	\$ 73,822
Capital assets being depreciated:				
Buildings and improvements	3,219,877	60,000	-	3,279,877
Machinery and equipment	139,530	8,730	12,854	135,406
Vehicles	115,092	-	-	115,092
Total depreciable capital assets	3,474,499	68,730	12,854	3,530,375
Total capital assets	3,548,321	68,730	12,854	3,604,197
Less accumulated depreciation:				
Buildings and improvements	1,839,856	85,490	-	1,925,346
Machinery and equipment	79,479	17,669	12,854	84,294
Vehicles	80,086	7,615	-	87,701
Total accumulated depreciation	1,999,421	110,774	12,854	2,097,341
Total depreciable capital assets	1,475,078	(42,044)	-	1,433,034
Governmental activities capital assets, net	<u>\$ 1,548,900</u>	<u>\$ (42,044)</u>	<u>\$ -</u>	<u>\$ 1,506,856</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 48,890	\$ -	\$ -	\$ 48,890
Capital assets being depreciated:				
Land improvements	931,250	-	-	931,250
Buildings and improvements	485,225	411,453	224,576	672,102
Machinery and equipment	56,016	-	2,960	53,056
Vehicles	409,344	181,871	10,000	581,215
Total depreciable capital assets	1,881,835	593,324	237,536	2,237,623
Total capital assets	1,930,725	593,324	237,536	2,286,513
Less accumulated depreciation:				
Land improvements	86,760	36,106	-	122,866
Buildings and improvements	243,363	2,384	-	245,747
Machinery and equipment	4,550	-	-	4,550
Vehicles	10,000	17,321	10,000	17,321
Transit assets	307,669	61,748	56,775	312,642
Total accumulated depreciation	652,342	117,559	66,775	703,126
Net depreciable capital assets	1,229,493	475,765	170,761	1,534,497
Business-type activities capital assets, net	<u>\$ 1,278,383</u>	<u>\$ 475,765</u>	<u>\$ 170,761</u>	<u>\$ 1,583,387</u>

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE G – CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Legislative	\$ 2,562
Judicial system	39,252
General government	21,682
Public safety	3,181
Health and welfare	<u>44,097</u>
Total governmental activities	
depreciation expense	<u>\$ 110,774</u>
Business-type activities:	
Airport	\$ 55,811
Transit	<u>61,748</u>
Total business-type activities	
depreciation expense	<u>\$ 117,559</u>

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE H - ROAD COMMISSION CAPITAL ASSETS**

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/05	Additions	Disposals	Balance at 09/30/06
Capital assets not being depreciated:				
Land	\$ 46,065	\$ -	\$ -	\$ 46,065
Infrastructure - Land improvements	768,748	189,919	-	958,667
Capital assets being depreciated:				
Land improvements	50,519	-	-	50,519
Buildings	3,465,028	-	-	3,465,028
Road equipment	3,931,884	4,335	1,534	3,934,685
Shop equipment	120,708	295	-	121,003
Office equipment	34,265	-	-	34,265
Engineers' equipment	16,865	-	-	16,865
Depletable assets	69,508	-	-	69,508
Infrastructure - Bridges	28,031	-	-	28,031
Infrastructure - Roads	3,322,707	869,483	-	4,192,190
Total capital assets	<u>11,854,328</u>	<u>1,064,032</u>	<u>1,534</u>	<u>12,916,826</u>
Less accumulated depreciation:				
Land improvements	6,736	3,368	-	10,104
Buildings	589,859	102,000	-	691,859
Road equipment	3,118,565	333,149	-	3,451,714
Shop equipment	78,558	7,702	-	86,260
Office equipment	17,981	3,530	-	21,511
Engineers' equipment	15,518	546	-	16,064
Depletable assets	22,403	-	-	22,403
Infrastructure - Bridges	7,008	2,336	-	9,344
Infrastructure - Roads	563,968	271,267	-	835,235
Total accumulated depreciation	<u>4,420,596</u>	<u>723,898</u>	<u>-</u>	<u>5,144,494</u>
Capital assets, net	<u>\$ 7,433,732</u>	<u>\$ 340,134</u>	<u>\$ 1,534</u>	<u>\$ 7,772,332</u>

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE I – SCHOOLCRAFT MEMORIAL HOSPITAL CAPITAL ASSETS**

A summary of capital assets as of December 31, 2005 for the Schoolcraft Memorial Hospital:

Capital assets:

Land and land improvements	\$	43,706
Buildings and improvements		5,998,293
Major movable equipment		6,926,163
Construction in progress		<u>68,034</u>
Total capital assets		13,036,196
Less accumulated depreciation		<u>7,856,760</u>
Capital assets, net	\$	<u><u>5,179,436</u></u>

**NOTE J – MEDICAL CARE FACILITY CAPITAL ASSETS**

A summary of capital assets as of September 30, 2006 for the Schoolcraft County Medical Care Facility:

Capital assets:

Land	\$	37,666
Building		5,486,402
Furniture, fixtures and equipment		<u>950,218</u>
Total capital assets		<u>6,474,286</u>

Accumulated depreciation:

Land improvements		37,488
Building		1,974,188
Furniture, fixtures and equipment		<u>648,126</u>
Total accumulated depreciation		<u>2,659,802</u>
Capital assets, net	\$	<u><u>3,814,484</u></u>



**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE K – LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended September 30, 2006:

Type of Debt	Balance 10/1/2005	Additions	Deductions	Balance 9/30/2006	Amounts Due Within One Year
Governmental activities:					
Building Authority bonds:					
FIA Expansion	\$ 794,938	\$ -	\$ 33,000	\$ 761,938	\$ 35,000
Courthouse Construction	380,000	-	80,000	300,000	80,000
2004 Medical Care Facility					
General Obligation Unlimited					
Tax Refunding Bonds	1,430,000	-	105,000	1,325,000	110,000
Northern Lights Revolving Loan	23,844	-	4,279	19,565	4,366
Compensated absences	190,240	7,785	7,275	190,750	47,688
Total governmental activities long-term debt	<u>\$ 2,819,022</u>	<u>\$ 7,785</u>	<u>\$ 229,554</u>	<u>\$ 2,597,253</u>	<u>\$ 277,054</u>

Debt service requirements on long-term debt at September 30, 2006 are as follows:

For the Year Ending September 30,	Governmental Activities	
	Bonds/Loan Payable	
	Principal	Interest
2007	\$ 229,366	\$ 92,842
2008	236,454	84,129
2009	248,544	74,914
2010	215,636	66,047
2011	174,566	58,678
2012-2016	985,000	186,838
2017-2021	316,937	48,735
Total	<u>\$ 2,406,503</u>	<u>\$ 612,183</u>

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE K – LONG-TERM DEBT (continued)

#### **Governmental Activities:**

##### FIA Expansion

The County Building Authority issued \$1,038,000 Building Authority Bonds on July 31, 1996. The bonds were issued under the provisions of Act 31 of the Public Acts of Michigan of 1948, as amended, for the purpose of acquiring, construction, furnishing and equipping an addition to the Schoolcraft County Courthouse. The bonds were issued in anticipation of and are payable solely from certain cash rental payments on amounts sufficient to pay principal of and interest on the bonds when due. The bonds were issued in denominations of \$5,000 and bear a rate not to exceed 5%.

##### Courthouse Construction

The County Building Authority issued \$1,900,000 Building Authority Bonds on January 1, 1977. The bonds were issued under the provisions of the Public Acts of Michigan of 1948, as amended, for the purpose of acquiring, constructing, furnishing and equipping the County Courthouse. The bonds are payable from certain cash rental payments. The bonds are full faith and credit general obligations of the County of Schoolcraft payable from advalorem taxes, if necessary, which must be levied by the County to the extent necessary to make the principal and interest payments. The bonds were issued in denominations of \$5,000 and bear an interest rate of 5%.

##### 2004 Medical Care Facility General Obligation Unlimited Tax Refunding Bonds

The County of Schoolcraft issued \$1,345,000 General Obligation Unlimited Tax Refunding Bonds on September 1, 2004. The purpose of the bond issue is to refund the County's General Obligation Unlimited Tax Bonds, Series 1995, which was to pay part of the cost of constructing and equipping an addition to and renovating and re-equipping the Schoolcraft Medical Care Facility. The County is obligated to levy annually sufficient taxes to provide for the payment of the principal and interest on the refunding bonds of this issue as they mature. The bonds were issued in \$5,000 denominations with an interest rate from 2.0% to 3.75%.

##### Northern Lights Revolving Loan

The purpose of the promissory note proceeds were used for energy improvements which would lead to energy savings from the improvements sufficient to pay the loan payments of the note. The loan was entered into in December 2003 with 84 monthly installments in the amount of \$393.11 at an interest rate of 2%.

#### **Compensated Absences:**

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$190,750 are reported

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE K – LONG-TERM DEBT (continued)**

under the governmental activities in the Statement of Net Assets.

Details of the various plans are as follows:

County General – Sick leave is earned at the rate of one hour for every twenty-one hours worked. It can be accumulated up to a maximum of 960 hours. Upon death, or retirement, an employee shall be paid on half of accumulated sick leave. Vacation pay is earned, after one year of employment, based on the employee's employment anniversary date and years of service.

**NOTE L - ROAD COMMISSION LONG-TERM DEBT**

**Bonds Payable:**

Michigan Transportation Fund Bonds, Series 2002 – In July 2002, the County of Schoolcraft approved a Schoolcraft County Road Commission Michigan Transportation Fund Bond Issue for the purpose of constructing road commission buildings. The issue was for \$2,000,000 and requires annual principal payments each August 1<sup>st</sup> and semi-annual interest payments each February 1<sup>st</sup> and August 1<sup>st</sup> and has a variable interest rate ranging from 2% to 4.85%.

**Notes Payable:**

Wells Fargo Bank 2003 – In 2003, the Road Commission financed the purchase of road equipment in the amount of \$504,647. The note calls for five annual payments of \$112,316 on each June 30<sup>th</sup>, bears an interest rate of 3.95% and is secured by the equipment.

**Compensated Absences:**

Road commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. Benefits earned by each employee in the current calendar year are to be paid to the employee in the subsequent calendar year, and are permitted to accumulate up to a maximum of 2 years of vacation benefits. Sick leave benefits are earned at the rate of 1 day for each calendar month in which the employee has worked at least 12 days and shall be accumulated up to 105 days. Upon reaching the maximum 105 days of sick leave, an additional 2 days per year will be granted for each year of agreement. Maximum sick days will be 111. Upon retirement or death, an employee, or their estate, shall be paid for 100% of accumulated sick leave. The total vacation and sick leave amount of \$266,555 is recorded in the statement of net assets as a liability.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE L - ROAD COMMISSION LONG-TERM DEBT (continued)**

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2005	Additions	Deductions	Balance 9/30/2006
Bonds payable:				
Michigan Transportation Fund Bonds	\$ 1,850,000	\$ -	\$ 50,000	\$ 1,800,000
Notes payable:				
Wells Fargo 2003 Equipment	310,056	-	99,784	210,272
Compensated Absences	296,094	-	29,539	266,555
Total long-term debt	<u>\$ 2,456,150</u>	<u>\$ -</u>	<u>\$ 179,323</u>	<u>\$ 2,276,827</u>

Debt service requirements on long-term debt at September 30, 2006 are as follows:

For the Year Ending September 30,	County Road Commission			
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2007	\$ 55,000	\$ 80,110	\$ 103,798	\$ 8,518
2008	55,000	78,542	106,474	4,342
2009	55,000	76,810	-	-
2010	60,000	74,940	-	-
2011	60,000	72,780	-	-
2012-2016	350,000	326,230	-	-
2017-2021	450,000	242,970	-	-
2022-2026	580,000	123,592	-	-
2027	135,000	6,750	-	-
Total	<u>\$ 1,800,000</u>	<u>\$ 1,082,724</u>	<u>\$ 210,272</u>	<u>\$ 12,860</u>

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE M – SCHOOLCRAFT MEMORIAL HOSPITAL LONG-TERM DEBT**

Required payments of principal on various notes payable at December 31, 2005, including current maturities, are summarized as follows:

<u>For the Year Ending December 31</u>	<u>Notes Payable Principal</u>
2006	\$ 663,800
2007	497,428
2008	1,607,223
2009	129,389
2010	<u>42,116</u>
Total	<u>\$ 2,939,956</u>

**NOTE N – MEDICAL CARE FACILITY COMPENSATED ABSENCES**

The Medical Care Facility's policies regarding vacation, sick and compensated time off allow non-union employees to accumulate earned but unused vacation and sick time, and for union employees to accumulate earned but unused compensated time off. The liability for these compensated absences is recorded as an accrued current liability on the Statement of Net Assets. As of September 30, 2006, the total accrued vacation, sick and compensated time off was \$17,472, \$83,578 and \$125,038, respectively, totaling \$226,088.

**NOTE O – PUBLIC TRANSIT COMPENSATED ABSENCES**

Vacation is earned on a variable basis, depending upon length of employment. Upon retirement or termination, employees are paid for all outstanding days accumulated at their current rate of pay. The amount of accrued vacation time at September 30, 2006 is \$6,671.

Sick leave is earned at the rate of one day per month, not exceeding twelve days per year. Upon retirement or disability, employees are eligible to receive one-half of such sick leave accumulated, up to a maximum of one hundred days, at their current rate of pay. The amount of accumulated sick leave recorded at one-half of the total accumulated sick leave is \$17,890. Actual sick leave available to be used upon illness is \$35,780.

Accruals for sick and vacation accumulated by Transit employees are reported as liabilities of that fund as required by accounting principles generally accepted in the United States of America.

COUNTY OF SCHOOLCRAFT, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE P - OPERATING TRANSFERS IN AND OUT**

Transfers between governmental and proprietary funds are made to fund various County programs operational expenditures and are summarized as follows for the year ended September 30, 2006:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 269,043	\$ 400,433
Parks & Recreation	8,900	-
Drug & Alcohol Enforcement	5,575	-
Friend of Court	17,906	-
Revenue Sharing Reserve	-	162,170
Emergency Management	8,087	-
Law Library	25,801	-
Juvenile Justice	24,013	-
Probate Child Care	101,250	-
Soldiers & Sailors Relief	760	-
Department of Social Services Debt	73,100	-
Medical Care Facility Improvement	24,000	59,860
Capital Improvement - Public Safety	1,637	-
Carpenter Dam - Maintenance & Repair	500	-
Enterprise Funds:		
Building Inspection	19,000	-
Airport Operations	56,368	-
Tax Revolving 2001	-	20,320
Tax Revolving 2002	-	4,553
Tax Revolving 2003	-	577,000
Tax Revolving 2004	-	30,000
Tax Revolving 2005	525,000	-
Internal Service Funds:		
Computer	18,536	-
Postage Meter	12,000	-
Telephone	16,000	-
Motor Pool	1,000	-
Component Units:		
Medical Care Facility	59,860	24,000
Economic Development Corporation	10,000	-
Total	<u>\$ 1,278,336</u>	<u>\$ 1,278,336</u>

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE Q - RETIREMENT PLANS

#### General County

Plan Description – The County of Schoolcraft has five valuation divisions, which participate in a single retirement plan administered by the Municipal Employee's Retirement System (MERS). They are the General County, Sheriff-FOP, Sheriff's Department, Medical Care Facility, Senior Citizens and Housing which participate in a defined benefit contributory plan. The retirement plan covers substantially all full-time and limited part-time employees. MERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees. All full-time employees of the County participate in the system.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

General County Retirement Plan – The General County offers its various departments either benefit B-2 or B-4. Under benefit B-2 employees shall receive 2.0% of their three-year final average compensation. Under benefit B-4 employees shall receive 2.5% of their three-year final average compensation, with a maximum of 80% of final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Treasurer's office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE Q - RETIREMENT PLANS (continued)**

**GASB 25 INFORMATION (as of 12/31/05)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 6,311,379
Terminated employees not yet receiving benefits	465,623
Non-vested terminated employees	39,563
Current Employees:	
Accumulated employee contributions including allocated investment income	1,554,731
Employer financed	<u>10,167,512</u>
 Total actuarial accrued liability	 18,538,808
 Net assets available for benefits, at actuarial value (market value is \$14,319,246)	 <u>14,706,782</u>
 Unfunded (overfunded) actuarial accrued liability	 <u><u>\$ 3,832,026</u></u>

**GASB 27 INFORMATION (as of 12/31/05)**

Fiscal year beginning	October 1, 2007
Annual required contribution (ARC)	\$ 595,740
Amortization factor used - Underfunded Liabilities (30 years)	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2005 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2003	\$ 630,196	100%	-
2004	613,437	100%	-
2005	618,136	100%	-

The General County was required to contribute \$637,645 for the year ended September 30, 2006. Payments were based on contribution calculations made by MERS.



**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE Q - RETIREMENT PLANS (continued)**

The County is required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

Valuation Division	Contribution Percentage		
	2007*	2006*	2005*
General	14.67%	15.03%	15.98%
Sheriff FOP	19.27%	18.74%	15.19%
MCF	8.34%	8.63%	8.78%
Senior Citizens Housing	14.17%	14.74%	15.26%
Judges	0.00%	1.63%	0.00%
Sheriff/Sheriff	14.36%	14.79%	14.31%
MCF Non-Union	14.49%	15.39%	15.79%

\* Represents the actuarial required contribution for the fiscal year ended.

**Aggregate Accrued Liabilities - Comparative Schedule**

Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
December 31, 2003	\$ 12,770,313	\$ 16,409,359	\$ 3,639,046	78%	\$ 4,591,671	79%
2004	13,682,976	17,767,781	4,084,805	77%	4,700,978	87%
2005	14,706,782	18,538,808	3,832,026	79%	5,034,483	76%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

**County Road Commission - Component Unit**

Description of Plan and Plan Assets – The Schoolcraft County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employee's Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation (FAC) with a maximum benefit of 80% of FAC. The most recent period for which actuarial date was available was for the fiscal year ended December 31, 2005.